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ALGONQUIN BUILDING CREDITS LIMITED

13TH ANNUAL REPORT

FOR THE FISCAL YEAR ENDED

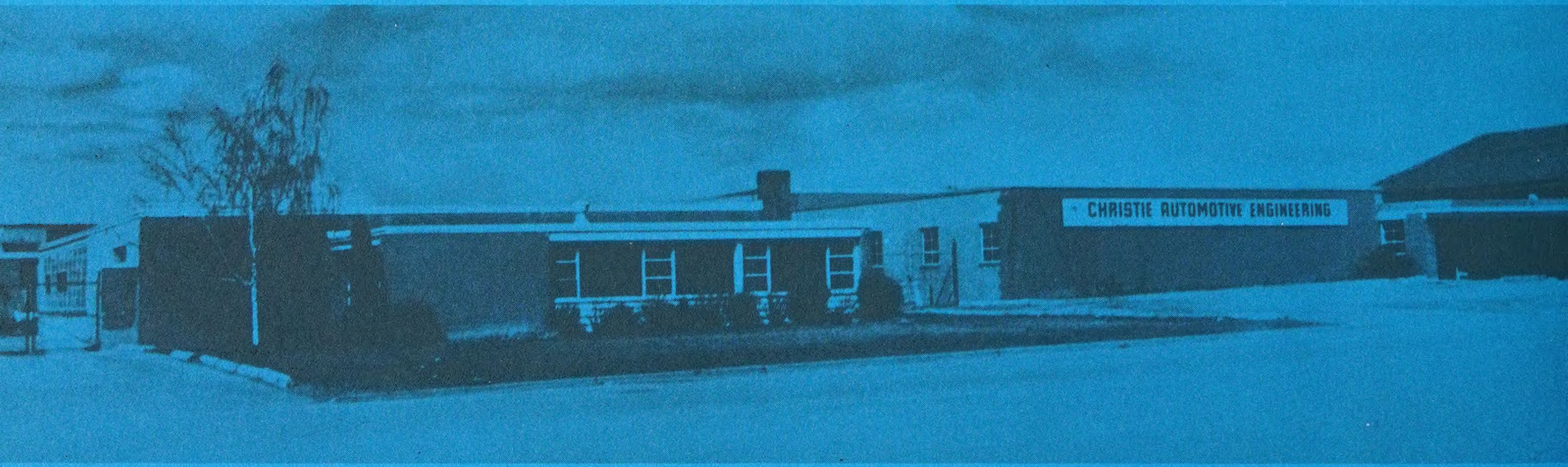
DECEMBER 31, 1969

above Citrus Grove—Lake Placid, Florida

top Cattle Operation—Lake Placid, Florida

middle Produce Delivery Fleet—
Holland Marsh, Bradford, Ontario

bottom Automotive Engine Plant—Toronto



ALGONQUIN BUILDING CREDITS LIMITED

BOARD OF DIRECTORS

W. R. Abbott	Don Mills, Ontario
C. H. Franklin	Willowdale, Ontario
E. R. Heald	Toronto, Ontario
T. H. Inglis	Etobicoke, Ontario
F. D. Lace	Toronto, Ontario
R. W. L. Laidlaw	Willowdale, Ontario
C. C. Laking	Willowdale, Ontario
W. B. Macdonald	Toronto, Ontario
D. E. McQuigge	Toronto, Ontario
W. S. Miller	Port Credit, Ontario
J. J. Phillips	Don Mills, Ontario

OFFICERS

C. H. Franklin	*President*
F. D. Lace	*Vice-President*
W. B. Macdonald	*Vice-President*
W. R. Abbott	*Secretary-Treasurer*
R. M. Lambe	*Assistant Secretary*
W. D. Siskawich	*Assistant Secretary*

HEAD OFFICE

76 St. Clair Avenue West — Toronto 195, Ontario

AUDITORS

Clarkson, Gordon & Co. — Toronto, Ontario

SOLICITORS

Fasken & Calvin — Toronto, Ontario

TRANSFER AGENTS & REGISTRAR

The Royal Trust Company — Box 7500, Station A, Toronto, Ontario

BANKERS

The Royal Bank of Canada — Toronto, Ontario

SUBSIDIARIES

Algonquin Capital Corporation Limited	Toronto, Ontario
Duo-Heet Distributors Limited	Waterford, Ontario

DIRECTORS' REPORT TO THE SHAREHOLDERS

We are pleased to report a year of progress and improvement for your company as evidenced by this, our Annual Report for the year ended December 31, 1969.

The 1968 Annual Report included reference to the debt and capital reorganization and the Rights Offering. It also advised you of the investment in Hardee Farms International Ltd.

Your company returned to a profitable basis for the first year since 1964. Net operating profit amounted to $119,696 or 26.8¢ per average share issued. Had tax been applicable to this profit the net would have become $55,766 or 12.5¢ per average share issued.

Note and mortgage collections exceeded expectations and resulted in collection of $971,690 with a gratifying net recovery in provision for doubtful accounts of $109,947. This was accomplished coincident with a reduction in operating costs and closure of the Montreal and Calgary branches.

During the year a substantial area of potential industrial real estate on the immediate fringe of Metropolitan Toronto was purchased.

Also, your company purchased all of the outstanding common shares of Duo-Heet Distributors Limited, a Group of companies engaged in the manufacture and sale of products for indoor climate and comfort control. A summary of their consolidated financial position as at November 30, 1969 is included in this Report. The Duo Group achieved an operating profit of $56,578 before taxes and non-recurring items. This income is not included in your company's profit of $119,696.

Mr. George Savage, President of the Duo-Matic Group of companies was appointed to the Board to replace Mr. W. S. Miller who resigned early in 1970.

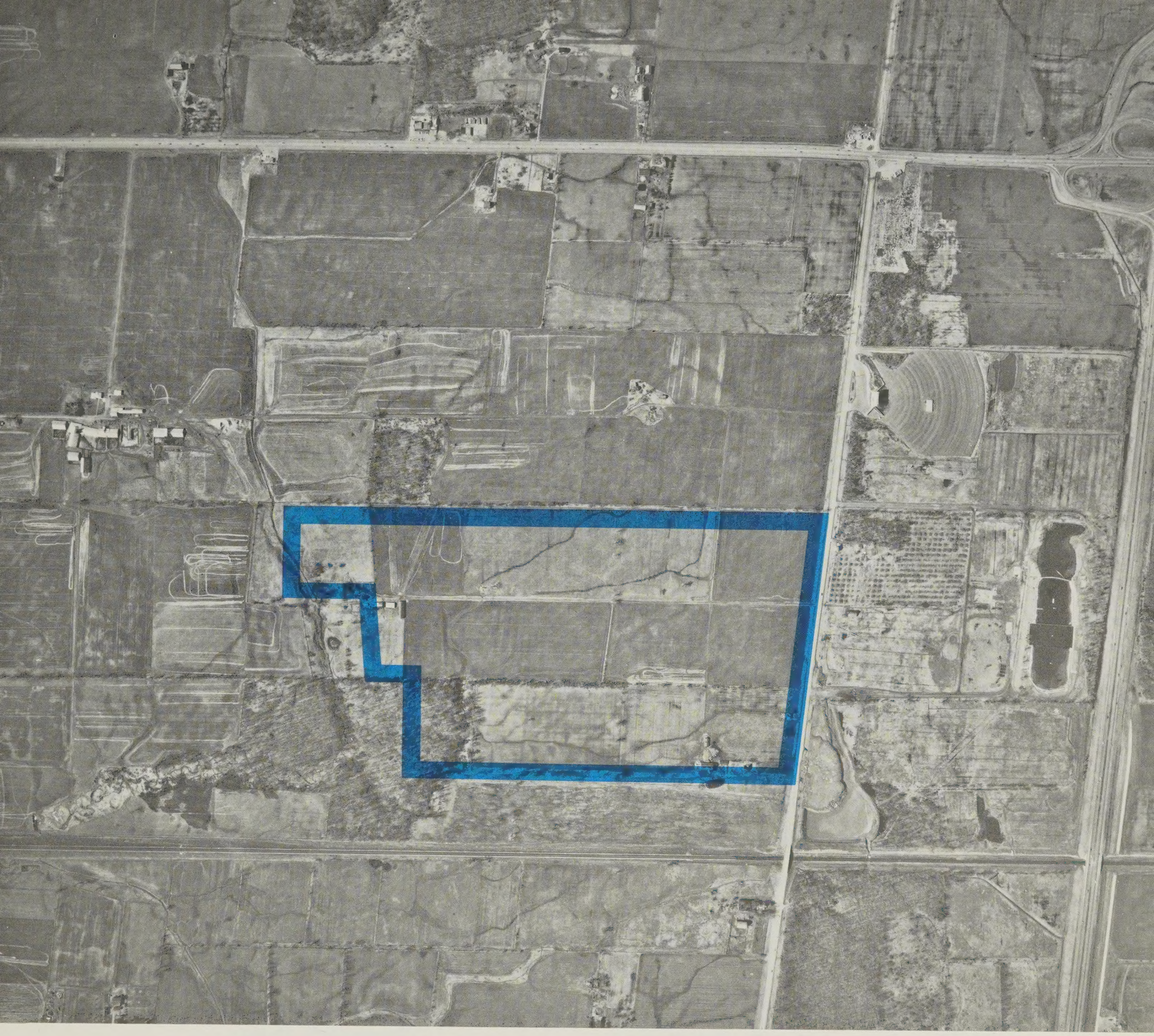
The continuing loyalty of your employees is much appreciated.

Respectfully submitted
on behalf of the Board,

Toronto, Ontario
April 28, 1970

C. H. Franklin

President



RIVALDA FARMS, VAUGHAN TOWNSHIP

ALGONQUIN BUILDING CREDITS LIMITED

(Incorporated under the laws of Ontario)

and its wholly-owned subsidiary

ALGONQUIN CAPITAL CORPORATION LIMITED

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1969

(with comparative figures at December 31, 1968)

ASSETS

	1969	1968
Cash	$ 198,674	$ 188,325
Sundry accounts receivable	39,963	44,788
Instalment notes receivable (including amounts not due within one year of approximately $33,000 in 1969 and $138,000 in 1968) after allowance for doubtful accounts of $634,385 in 1969 and $742,185 in 1968 (note 1)	368,642	709,507
Land held for resale (note 2)	1,215,032	
Mortgage receivable over terms of up to fifteen years (including instalments due within one year of $215,000 in 1969 and $402,000 in 1968) after allowance for doubtful accounts of $67,507 in 1969 and $185,477 in 1968 (note 3)	1,108,819	1,629,698
Investments, at cost:		
Duo-Heet Distributors Limited, a wholly-owned subsidiary (note 4)	134,300	
Hardee Farms International Ltd. (note 5)	2,113,907	
Office equipment, at cost less accumulated depreciation	6,770	6,700
Unamortized debenture issue expense		47,099
	$5,186,107	$2,626,117

On behalf of the Board:

C. H. Franklin, *Director*

F. D. Lace, *Director*

AUDITORS' REPORT

To the Shareholders of Algonquin Building Credits Limited:

We have examined the consolidated balance sheet of Algonquin Building Credits Limited and its wholly-owned subsidiary as at December 31, 1969 and the consolidated statements of profit and loss and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
LIABILITIES:		
Accounts payable and accrued charges	$ 30,082	$ 72,542
Bank loan (note 6)	1,400,000	490,325
Collateral trust notes		209,675
7% Mortgage, payable in semi-annual instalments of $10,000, balance due December 23, 1973	912,000	
Unearned service charges		9,645
Unearned interest on mortgages	65,304	92,661
Sinking fund debentures (note 7 (iv))		1,668,000
Non-interest bearing debentures (note 7 (iv))	1,334,400	
	3,741,786	2,542,848
SHAREHOLDERS' EQUITY:		
Capital (notes 7, 8, and 9)—		
Authorized:		
1,000,000 5% class A non-voting, non-cumulative participating preference shares without par value		
500,000 common shares without par value		
Issued:		
25,000 preference shares		500,000
65,032 class A preference shares issued in 1969; 460,212 common shares (255,106 shares issued in 1969)	2,644,751	794,061
Less commissions and expenses paid on issue of shares (less premiums received)		(36,611)
	2,644,751	1,257,450
Deficit	(1,200,430)	(1,174,181)
TOTAL SHAREHOLDERS' EQUITY	1,444,321	83,269
	$5,186,107	$2,626,117

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 18, 1970.

CLARKSON, GORDON & CO.
Chartered Accountants

ALGONQUIN BUILDING CREDITS LIMITED

and its wholly-owned subsidiary

ALGONQUIN CAPITAL CORPORATION LIMITED

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

For the Year ended December 31, 1969

(with comparative figures for the year 1968)

	1969	1968
Revenue:		
Earned service charges and other income	$ 170,112	$ 255,524
Interest on investment in Hardee Farms International Ltd.	94,160	
	264,272	255,524
Expenses:		
General and administrative expenses	147,628	165,892
Costs of borrowing money	105,539	197,987
Provision for doubtful accounts	(109,947)	17,729
Depreciation	1,356	2,787
Total expenses	144,576	384,395
Profit (loss) before income taxes and extraordinary item	119,696	(128,871)
Income taxes	63,930	
Profit (loss) before extraordinary item	55,766	(128,871)
Extraordinary item:		
Reduction of income taxes on application of loss carry forward	63,930	
Net profit (loss) for the year	$ 119,696	$ (128,871)
Earnings per share (note 10):		
Profit before extraordinary item	12.5¢	
Net profit for the year	26.8¢	

STATEMENT OF CONSOLIDATED DEFICIT

For the Year ended December 31, 1969

(with comparative figures for the year 1968)

	1969	1968
Deficit at beginning of year	$1,174,181	$1,045,310
Deduct profit (loss) for the year	119,696	(128,871)
	1,054,485	1,174,181
Add capital reorganization expenses including write-off of unamortized debenture issue expense and share issue costs	145,945	
Deficit at end of year	$1,200,430	$1,174,181

ALGONQUIN BUILDING CREDITS LIMITED

and its wholly-owned subsidiary

ALGONQUIN CAPITAL CORPORATION LIMITED

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

For the Year ended December 31, 1969

(with comparative figures for the year 1968)

	1969	1968
Funds were provided from:		
Payment received on mortgages receivable	$ 604,349	$ 468,380
Payment received on instalment notes receivable	367,341	664,355
Sale of common shares	1,150,530	60,000
Bank loan (net of repayment)	1,400,000	
	3,522,220	1,192,735
Funds were applied to:		
Net (profit) loss for year	(119,696)	128,871
Less adjustment for items not resulting in the receipt of funds (net)	145,593	63,893
Funds applied to operations	25,897	192,764
Repayment of collateral trust notes (including former bank indebtedness)	700,000	977,000
Payment of debenture instalment (note 7)	133,440	
Reorganization costs	62,235	
Investments:		
Hardee Farms International Ltd.	2,113,907	
Duo-Heet Distributors Limited	134,300	
Land (net of mortgage)	303,032	
Purchase of office equipment	1,426	
	3,474,237	1,169,764
Increase in funds	$ 47,983	$ 22,971
Represented by net change in:		
Cash	$ 10,348	$ 31,846
Sundry receivables	(4,825)	(14,861)
Accounts payable and accrued liabilities	42,460	5,986
Increase in funds, as above	$ 47,983	$ 22,971

ALGONQUIN BUILDING CREDITS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1969

1. The following summary shows the status of notes receivable at December 31:

	1969	1968
Accounts with instalments less than 30 days in arrears or with no arrears	$ 27,547	$ 118,059
Accounts with instalments in arrears for:		
30 to 59 days	2,149	40,550
60 to 89 days	3,202	37,642
90 days or more	970,129	1,255,441
	1,003,027	1,451,692
Less allowance for doubtful accounts	634,385	742,185
	$ 368,642	$ 709,507

2. Land is shown at its original cost of $1,144,793 plus carrying costs which include interest on the related 7% mortgage, plus municipal taxes less rental income.

3. The following summary shows the status of mortgages held by the company at December 31:

	1969			1968
	Accounts with instalments 90 days or more in arrears	Accounts with no arrears or with instalments less than 90 days in arrears	Total	Total
Interest-included mortgages	$ 74,182	$203,118	$ 277,300	$ 366,122
Interest-bearing mortgages	224,653	663,177	887,830	1,308,332
Other mortgages		7,596	7,596	137,121
	$298,835	$873,891	1,172,726	1,811,575
Sundry advances			3,600	3,600
			1,176,326	1,815,175
Less allowance for doubtful accounts			67,507	185,477
			$1,108,819	$1,629,698

4. On November 27, 1969 the company's offer to purchase all of the shares of Duo-Heet Distributors Limited, a manufacturing company, was accepted. The financial statements of Duo-Heet were not consolidated as the financial statements of a manufacturing company and a finance company are not comparable. A summary of the consolidated financial position of Duo-Heet at its year-end, of November 30, 1969 is attached. Algonquin has agreed to purchase at par or cause to be redeemed by December 31, 1974, 3,600 $10 par value preference shares of Duo-Heet Distributors Limited and 120 $100 par value preference shares of Duo-Heet Limited a subsidiary of Duo-Heet Distributors. Algonquin is contingently liable to a maximum of $310,000 as the guarantor of the bank loan of Duo-Heet.

5. The investment in Hardee Farms International Ltd. consists of a 5.7% $2,208,623 demand note and 2,000,000 common shares (approximately 49% of the outstanding common shares). The quoted market value of the common shares at December 31, 1969 was $1,880,000. The quoted market value does not necessarily reflect the amount which would be realized if the common shares were sold.

6. The bank loan is secured by a general assignment of book debts, the investments and a $2,700,000 floating charge debenture.

7. During the year the capital and debt structure of the company was reorganized as follows:

(i) the number of authorized common shares was increased from 300,000 to 500,000;

(ii) 1,000,000 class A 5¢ non-voting non-cumulative participating preference shares without par value were created;

(iii) 25,000 class A preference shares and 25,000 common shares were issued in exchange for the outstanding 25,000 6½% cumulative preference shares;

(iv) the 1,668,000 outstanding debentures were converted into non-interest bearing debentures maturing in equal amounts of $333,600 on March 15 in each of the years 1969 to 1973; $133,440 of the $333,600 to be paid in cash and the remaining $200,160 by the issue of 40,032 class A preference shares.

8. In addition to the shares issued on the reorganization and on the maturity of the debentures referred to in note 7(iv) above, the company issued 230,106 common shares for $1,150,530 cash.

9. If in any fiscal year a dividend is declared, the 5¢ dividend on the class A non-cumulative preference shares is to be paid before any dividend on the common shares. Each preference share is entitled to receive a dividend equal to the dividend declared on each common share subsequent to the payment of a 5¢ dividend on the preference shares and the common shares. The class A non-voting preference shares rank equally with the common shares in all other respects.

10. The earnings per share figures are calculated using the weighted daily average of shares outstanding during 1969. The class A preference shares issued during 1969 have been treated as common shares for purposes of the calculation.

If it were assumed that all of the non-interest bearing debentures outstanding at December 31, 1969 had matured as at January 1, 1969 and the related class A preference shares had been issued, the fully diluted earnings per share for 1969 would have been:

Income before extraordinary item	9.9¢
Net income for the year	21.2¢

11. Future income taxes of Algonquin Building Credits Limited and its wholly-owned subsidiary may be reduced by approximately $615,000 as a result of loss carry-forwards available at December 31, 1969.

DUO-MATIC GROUP OF COMPANIES' PLANT FACILITIES, WATERFORD, ONTARIO

DUO-HEET DISTRIBUTORS LIMITED

and its consolidated subsidiaries

DUO-HEET LIMITED AND DUO-MATIC OF CANADA LIMITED

Waterford, Ontario

SUMMARY OF CONSOLIDATED FINANCIAL POSITION AS AT NOVEMBER 30, 1969

ASSETS

Current assets:				
Cash				$ 1,077
Accounts receivable				309,439
Inventories of materials, work-in-process, and finished goods (at the lower of cost or replacement cost)				360,286
				670,802
	Cost or appraised replacement value	Accumulated depreciation	Net value	
Fixed assets (note 1):				
Land	$ 11,294		$ 11,294	
Buildings	309,315	$ 12,459	296,856	
Machinery and equipment	305,093	147,898	157,195	
Office equipment	29,668	11,063	18,605	
Automotive equipment	4,808	3,658	1,150	
Patterns and dies	34,785	17,677	17,108	
	$694,963	$192,755		502,208
Excess of cost of subsidiaries over the net book value of their tangible assets				18,640
				$1,191,650

AUDITORS' REPORT

Duo-Heet Distributors Limited:

We have examined and reported on the consolidated financial statements of Duo-Heet Distributors Limited as at November 30, 1969, from which the above summary of financial position has been prepared. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Bank indebtedness (note 2)	$ 249,136	
Accounts payable and accrued charges	340,111	
Taxes payable	26,669	
Deferred liabilities—current portion	48,600	$ 664,516
Deferred liabilities:		
Mortgages payable—		
Industrial Development Bank (note 3)	229,800	
Bennett & Wright Contractors Ltd.—9%, due $900 semi-annually, balance March 1, 1973	6,300	
Holterman Companies Limited—8%, due $16,000 June 1, 1970, balance June 1, 1971	31,000	
Deferred accounts payable	15,319	
	282,419	
Less current portion shown above	48,600	233,819
Deferred income taxes		14,092
Minority interest in subsidiaries		29,827
Shareholders' equity:		
Capital stock	36,040	
Retained earnings	103,962	
Excess of appraisal value of fixed assets over depreciated cost	109,394	249,396
		$1,191,650

circumstances. In our opinion, the above statement fairly summarizes the financial position of the company as at November 30, 1969, in accordance with generally accepted accounting principles.

Simcoe, Canada,
April 1, 1970.

WATERS, SAVAGE, HORNE & RONSON
Chartered Accountants

DUO-HEET DISTRIBUTORS LIMITED

and its consolidated subsidiaries

DUO-HEET LIMITED AND DUO-MATIC OF CANADA LIMITED

Waterford, Ontario

DUO-MATIC

NOTES TO THE SUMMARY OF CONSOLIDATED FINANCIAL POSITION

1. Valuation of fixed assets:

As in the previous year fixed assets on hand as at October 22, 1965 are included at depreciated replacement value according to the appraisal by Dominion Appraisal Company Limited as at that date; subsequent additions are at cost. The amount of the excess of this value over the book value at December 1, 1966, after deducting depreciation written, amounted to $150,060.02 and has been shown as a separate item in the capital section of the balance sheet. In 1969 this balance has been reduced by transferring to retained earnings the amount of depreciation taken on the excess appraised value, $15,006 in 1967, $13,505 in 1968 and $12,155 in 1969 for a total of $40,666 leaving a balance of $109,394.02.

2. The company's banker, the Royal Bank of Canada holds as security an assignment under Section 88 of the Bank Act, an assignment of debts and a floating charge on the assets of the company.

3. The loans payable to the Industrial Development Bank are secured by a realty mortgage on the land and buildings, a chattel mortgage on machinery, equipment and vehicles and a floating charge on assets.

The terms of the loans are as follows:

$196,800 at 8.9% payable $800 in December 1969 and $2,000 per month thereafter and $33,000 at 9.1% payable $1,000 per month for eight months in each year.